National Council of Higher Education Resources NCHER

November 14, 2014

VIA ELECTRONIC DELIVERY

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Room TWA325
Washington, DC 20554

Re: Notice of *Ex Parte* Presentation
CG Docket No. 02-278

Dear Ms. Dortch:

On November 12, 2014, the following individuals participated in a telephone call with Maria Kirby, Legal Advisor to Chairman Tom Wheeler, to discuss issues relating to the impediments to contacting consumers, particularly student loan borrowers, through their cell phones:

- James Bergeron, President, National Council of Higher Education Resources (NCHER);
- Sean Deverey, Vice President, Government Relations, NCHER;
- Timothy Fitzgibbon, Senior Vice President, NCHER;
- Shelly Repp, Senior Advisor and former President, NCHER;
- Gary Hopkins, Executive Vice President, GC Services;
- Lawrence Laskey, Vice President and General Counsel, Windham Professionals;
- Scott Miller, Director of Federal Relations, Pennsylvania Higher Education Assistance Agency (PHEAA);
- Will Shaffner, Director of Business Development and Government Relations, Missouri Higher Education Loan Authority (MOHELA); and
- Alex Nock, Executive Vice President, Penn Hill Group (on behalf of NCHER).

The substance of the telephone meeting is summarized below.

All of the participants NCHER invited to the meeting are interested in issues relating to contacting student loan borrowers on their cell phones, including many of those raised in several petitions before the Commission. NCHER is a trade association representing a nationwide network of lenders, secondary markets, guaranty agencies, loan servicers, collection agencies, and others involved in the administration and servicing of federal and private education loans. Our objective was to point out how student loan lenders, servicers, and collectors assist student borrowers in managing loan repayment and avoiding the negative consequences of loan delinquency and default, and how the current legal environment – specifically numerous Court interpretations of the Telephone Consumer Protection Act (TCPA) – unnecessarily impair their ability to do so.

We pointed out that, according to a recent Centers for Disease Control and Prevention (CDC) study,[1] 57.1 percent of all American households now are either exclusively or predominantly wireless, and that the percentage is even higher for those in age brackets more likely to have student loans. Also, according to a poll released by Gallup just this week,[2] 68 percent of Americans aged 18 to 29 who were polled either sent or received a text message on the previous day and 50 percent made or received a phone call using a cell phone, but only 7 percent made or received a phone call using a landline phone. We also stated that the younger generations are not inclined to read their traditional mail (even assuming student loan providers have a valid current address where they can be reached), or email. As pointed out in the Gallup poll, cell phone texting is the preferred mode of communication for young adults. Contacting the borrowers through their cell phones is simply the best way to reach them. Contacting borrowers through the use of dialer and similar modern technology is far more efficient and effective than manual dialing, allowing staff to be much more productive as they help borrowers, and to do so more timely (i.e. prior to default). The use of modern technology should be encouraged, not discouraged and penalized**.**

We explained how the federal student loan programs, which comprise roughly 90 percent of all outstanding student loans, have features that can help most borrowers avoid default and, for those that do default, help them rehabilitate their defaulted loans and clear their credit records of the default. We believe everyone understands that defaults on federal student loans have negative consequences and should be avoided. These consequences can include a negative credit rating, offset of tax refunds and federal benefits, and administrative wage garnishment.

Scott Miller and Will Shaffner, each of whom works for one of the major servicers retained by the U.S. Department of Education to service student loans, summarized some of these features. Servicers can offer deferments (which in many cases are federally-subsidized), extended and graduated repayment plans, and forbearances. Income-driven repayment (IDR) plans, which take ability-to-pay into consideration, are also now available. These programs would be of particular benefit to the roughly 10 percent of federal student loan borrowers who are delinquent at any point in time, if we can reach them with this information.

According to a White House release, the Department of Education is redoubling its effort to identify who may be struggling to repay and to provide them with timely information about options to help them avoid or get out of default.[3] The challenge in all cases is to reach borrowers to present them with the available options. If loan servicers can talk to a borrower, they can almost always find a solution to avoid default. Many distressed borrowers simply refuse to open their mail, which means unless contact is made by calling them the loans will progress to default through the borrowers' passivity or an inability to reach them through other means. It was stated that the Department of Education's student loan servicers send out approximately 5 million pieces of mail each month, a substantial portion of which is never read. Mr. Miller and Mr. Shaffner described how modern technology can facilitate contacting

[1] Wireless Substitution: Early Release of Estimates from the National Health Interview Survey, July-December 2013, Centers for Disease Control and Prevention, U.S. Department of Health and Human Services (July 2014).
[2] "The New Era of Communication Among Americans", Gallup, November 10, 2014.
[3] Taking Action: Higher Education and Student Debt, The Domestic Policy Council and The Council of Economic Advisors, June 10, 2014.

these borrowers by phone. Mr. Miller stated that PHEAA has been able, on average, to contact 13,675 delinquent borrowers per week using automated dialing, but only 1,130 dialing manually, meaning that a large number of borrowers with wireless phones cannot be contacted successfully and receive the assistance they need in resolving their loan delinquencies, simply because they have not provided consent to be called on their wireless devices through the use of auto-dialer technology. In fact, they may not even be aware of the need to provide such consent.

In addition, President Obama and the Department of Education have launched a major campaign to enroll more borrowers into IDR plans. Depending on a borrower's income, required monthly payments can be as low as zero dollars. Mr. Shaffner pointed out that borrowers need to reapply for an IDR repayment plan each year to stay in the program. To ensure borrowers reapply, it's necessary to conduct a calling campaign.

To show the potential harm to borrowers, we referred to a study prepared by a respected and independent economist that found that, assuming the current rate of growth in cell phone usage, over the next ten years nearly 12 million student loan borrowers will unnecessarily experience the painful and costly consequences of default if their loan servicers are not able to contact them using predictive dialing technology.[4] Even if this projection is off by a wide margin, the number of borrowers who could benefit from the requested change would be substantial.

Student loan borrowers who have defaulted on their federal loans can "rehabilitate" their loans by making nine timely, voluntary, monthly payments over a 10-month period. Required payments must be "reasonable and affordable." Under Department of Education regulations which became effective July 1, 2014, an IDR-like "ability to pay" formula must initially be used to establish the repayment schedule.[5] The monthly payment can be as low as $5.00. Borrower advocates were prime supporters of this regulatory change, and we would expect that they would agree that providing borrowers with information on the availability of loan rehabilitation on these terms would be welcome. As in the case of pre-default servicing, it is much more effective to discuss the details and benefits of loan rehabilitation directly with the borrower. Gary Hopkins, who works for one of the contractors the Department of Education uses to collect defaulted student loans, stated that the firm takes a "counseling approach" and that they are able to help 90 percent of the borrowers they are able to contact.

We also explained how the legal landscape adversely impacts the ability and willingness of servicers and collectors to use telecommunications technology to reach out to student loan borrowers. The TCPA restrictions originally were enacted to address telemarketing excesses, where numbers were randomly or sequentially generated and dialed. However, the restrictions have been adapted to encompass our efforts to reach specific individual borrowers on behalf of the lender, the Department of Education, or the guaranty agency that insures the loans. While the TCPA defines an Automatic Telephone Dialing System as a system that has the "capacity to store or produce numbers to be called using a random or sequential number generator," predictive dialers – which don't generate phone numbers – have been included within the definition. Courts have even found that "preview" dialing, where specific phone numbers are selected and dialed by a person, and manual dialing, fall within the definition because the system through which those calls are placed also has, though it is not then using, predictive dialing capacity. Our members have heretofore taken comfort with the Commission's position that consent

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[4] Modifying the TCPA to Improve Services to Student Loan Borrowers and Enhance Performance of Federal Loan Portfolios, Prepared by Judy Xanthopoulos, PhD., Quantria Strategies, LLC (July 2013). A summary of the study's findings is included in the attachments.

[5] See 34 CFR 682(b)(1)(i)(D), as published in the Federal Register on November 1, 2013 (78 Fed. Reg. 65815).

exists where the consumer provides the number, but even this is being pared back by courts requiring that the consent must be given at the time of the debt transaction and can be revoked orally and at any time. Given the possibility of class actions, our members face costly "bet the company" damage exposure. And plaintiff law firms are actively soliciting TCPA plaintiffs; one firm even has a "Block Calls/Get Cash" smart phone app that they are advertising to automatically track and funnel potential TCPA violation calls to the law firm.

The result is a heightened reluctance to use dialer technology, especially when calling cell phones. This means we have to call manually, which increases costs, places unnecessary restraint on finite resources, and, more importantly, reduces the number of student borrowers who can be reached, and extends the time it takes to reach them to let them know about ways to avoid default or options to resolve their defaults, like the loan rehabilitation program. Though presumably intended to benefit consumers, the result is more and more borrowers cannot get timely information, and therefore face involuntary collection options such as administrative wage garnishment, tax offset, or litigation, with no earlier or better opportunity to address their situations.

Rohit Chopra, Assistant Director and Student Loan Ombudsman at the Consumer Financial Protection Bureau (CFPB), has stated in testimony before Congress that, "Loan servicers are the primary point of contact on student loans for more than 40 million Americans. High-quality servicing can contribute to an individual borrower's ability to successfully repay their debt, especially through enrollment into affordable repayment plans."[6] Deputy Treasury Secretary Sarah Bloom Raskin stated, in a speech last week before the National Consumer Law Center's Consumer Rights Litigation Conference, that a student loan servicer "must do a substantial amount of work with a student loan borrower to find the option that best meets the borrower's needs before the borrower becomes delinquent or in default."[7] We could not agree more with Mr. Chopra and Deputy Secretary Raskin. However, servicers and collectors need an effective way to perform their duties and meet their responsibilities, and in a timely manner.

We pointed out that for the last couple of years President Obama's budget has included a proposal to provide authority to contact delinquent debtors on debt owed to or guaranteed by the United States via their cell phones using automatic dialing systems and prerecorded voice messages.[8] Federal student loans are a major portion of federal consumer debt. The budget proposal would allow the Commission to implement rules to protect consumers from being harassed and contacted unreasonably. NCHER supports the President's proposal and would welcome the opportunity to work with the Commission on crafting appropriate consumer protections. In 2010, the U.S. Department of the Treasury and the Department of Education wrote to the Commission requesting that autodialer restrictions not apply to the servicing and collection of debts, or at least to the collection of federal debt including federal student loans; we understand these views remain unchanged.

During the call, we were asked whether we had reached out to consumer advocate organizations. We said we had. These advocates clearly understand the benefits of the consumer protections available in the federal student loan programs and are concerned that the use of dialer technology will lead to harassment of borrowers. One such group has said that if the definition of autodialer is changed "[t]here

[6] Testimony of Rohit Chopra before the United States Senate Committee on the Budget, June 4, 2014.
[7] Prepared remarks of Deputy Secretary Raskin on student loans at the National Consumer Law Center's Consumer Rights Litigation Conference, November 6, 2014.
[8] Fiscal Year 2015 Budget of the U.S. Government, Analytical Perspectives, p.123. Excerpt included in the attachments.

will be no longer any limit on calls to cell phones."[9] We pointed out that this is untrue as there currently are federal and state laws to prevent harassment. The Fair Debt Collection Practices Act (FDCPA) and similar state laws prohibit debt collectors from harassing borrowers. Using its authority to prohibit "unfair, deceptive, and abusive" practices, the CFPB has signaled that it may apply many of the FDCPA rules to first party servicers as well as debt collectors. In any case, we indicated that NCHER stands willing to consider any additional reasonable consumer protections.

In summary, we request that the Commission take action, either through a declaratory ruling or rulemaking, to clarify and confirm that calls placed through systems that may have, but do not use in placing the call, the capacity to store or produce telephone numbers to be called using a random or sequential number generator, do not fall within the definition of calls made through an automatic telephone dialing system under the TCPA, or at a minimum create an exception that would remove restrictions on contacting federal student loan borrowers on their cell phones using predictive dialers, automated voice and/or text messaging, and similar technology. This is an issue that cries out for clarification.

Respectfully submitted,

James P. Bergeron
President
National Council of Higher Education Resources

Attachments:

- Gallup Poll – November 10, 2014
- NCHER Summary of the Quantria Strategies Study
- NCHER One-Pager on the TCPA Issue in the Student Loan Context
- Excerpt from the President's FY 2015 Budget

Cc: Ms. Maria Kirby, Legal Advisor to Chairman Tom Wheeler

[9] National Consumer Law Center Ex Parte Presentation dated June 6, 2014, p. 10.

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ECONOMY
November 10, 2014

The New Era of Communication Among Americans

by Frank Newport

Story Highlights

- *Texting is dominant way of communicating for Americans under 50*
- *Americans still use phone, but mostly cellphones, not landlines*
- *Relatively few Americans use Twitter, even those 18 to 29*

PRINCETON, N.J. -- Texting, using a cellphone and sending and reading email messages are the most frequently used forms of nonpersonal communication for adult Americans. Between 37% and 39% of all Americans said they used each of these "a lot" on the day prior to being interviewed. That compares with less than 10% of the population who said they used a home landline phone or Twitter "a lot."

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Use of Communication Devices Among Americans

Thinking just yesterday, how much did you do each of the following yesterday?

	A lot	A little	Not at all
	%	%	%
Send or read a text message	39	34	27
Make or receive a phone call using a cellphone	38	44	18
Send or read an email message	37	33	29
Post or read messages on Facebook, Instagram, or some other social media site	20	35	45
Make or receive a phone call using a business landline phone	15	21	64
Make or receive a phone call using a home landline phone	9	37	53
Use Twitter, including posting or reading "tweets"	4	9	86

Sept. 9-10, 2014

GALLUP

The ways Americans communicate vary significantly by age. Sending and receiving text messages is the most prevalent form of communication for Americans younger than 50. More than two-thirds of 18- to 29-year-olds say they sent and received text messages "a lot" the previous day, as did nearly half of Americans between 30 and 49. Younger Americans are also well above average in their use of cellphones, email and social media on a daily basis.

Among Americans aged 65 and older, the most-used methods of communication are cellphones, landline phones and email, although this older group is generally much less likely than those who are younger to use any form of communication.

Use of Communication Devices Among Americans, by Age

% Who did this "a lot" the previous day

Sorted by % among 18- to 29-year-olds

	18 to 29	30 to 49	50 to 64	65+
	%	%	%	%
Send or read a text message	68	47	26	8
Make or receive a phone call using a cellphone	50	41	40	18
Send or read an email message	47	44	38	16
Post or read messages on Facebook, Instagram or some other social media site	38	20	17	6
Use Twitter, including posting or reading tweets	14	3	2	0
Make or receive a phone call using a business landline phone	13	19	15	8
Make or receive a phone call using a home landline phone	7	6	10	17

Sept 9-10, 2014

GALLUP

These results are based on a survey Gallup conducted Sept. 9-10, in which Americans were asked to say how frequently they used each of seven modes of communication "yesterday." The survey's interviewing days were Tuesday and Wednesday, meaning respondents answered the questions in terms of weekday, not weekend, communication patterns. The survey did not ask Americans how often they communicated in person or by traditional letters.

These data clearly show that staying in touch with others using most of these forms of communication is an inverse function of age. There are no historical trends on these measures, so it is not possible to measure how much more likely young people were to communicate using whatever means were available in decades past. But in the present era, the percentage of 18- to 29-year-olds who used the seven methods "a lot" the previous day averages 34%, and that percentage drops to 26% among those aged 30 to 49, 21% among those aged 50 to 64, and down to 10% among those aged 65 and older.

- Texting is the most frequently used form of communication among Americans younger than 50. Texting drops off significantly after age 50, and is used infrequently among those aged 65 and older.
- Use of cellphones and email to communicate is highest among the youngest age group, with little dropoff among those 30 to 64, and is lowest among those aged 65 and older. Still, despite seniors' relatively infrequent use of cellphones and email, both are essentially tied with landline phone use as the most frequently used method

of communication even in this oldest age group.

- The use of social media to communicate is in the top four among those aged 18 to 29, but its use drops off significantly among those 30 or older.
- Few Americans of any age report using Twitter frequently, although its use is higher among the younger group. Three percent or less of those aged 30 and older report using Twitter a lot, including virtually no Americans aged 65 and older.
- The use of home landline phones shows a different pattern by age than the other communication methods: it is low across all age groups, albeit slightly higher among those 65 and older. Business landline use is slightly lower among seniors.

Bottom Line

One of the most striking cultural and social changes in the U.S. in recent decades has been the revolution in the ways Americans communicate. Until recently, humans were confined to communicating face to face and through letters and the traditional landline phone. Now, computer and smartphone use has dramatically accelerated, and texting, cellphones and email are the most commonly used modes of communication out of seven tested in this research. The use of social media is fourth.

The younger the American, the more likely he or she is to communicate using these newer technologies, meaning millennials today are a generation that is highly "in touch" with their friends and relatives. It is possible that older Americans make up for their lack of use of these modes of communication by talking to others in person, or perhaps by traditional mail, but seniors' low relative use of even the landline phone suggests they are basically less likely than those who are younger to be in touch with others on a daily basis.

Part of the higher level of communication among young Americans could reflect lifestyle considerations, particularly their higher probability of being unmarried. It is also possible that younger Americans have simply been the quickest to embrace the communication capabilities that new technology represents, and that use of such technology will increase in older age cohorts as the millennials age in the years ahead. The youthful skew in these results may also to some degree reflect that the data were collected during the week, although it is not clear whether all but the business landline form of communication would be lower on Saturdays and Sundays.

Although the use of email and these other forms of communication could be considered a positive way for more physically isolated older Americans to stay in touch with others, these results suggest that use of these devices is not yet extremely common among seniors. That could reflect their lack of access to tools such as computers, tablets or smartphones to send and receive email or text messages, because they simply are less accustomed to using these forms of communication.

Survey Methods

Results for this Gallup poll are based on telephone interviews conducted Sept. 9-10, 2014, with a random sample of 1,015 adults, aged 18 and older, living in all 50 U.S. states and the District of Columbia. For results based on the total sample of national adults, the margin of sampling error is ±4 percentage points at the 95% confidence level.

Each sample of national adults includes a minimum quota of 50% cellphone respondents and 50% landline respondents, with additional minimum quotas by time zone within region. Landline and cellular telephone numbers are selected using random-digit-dial methods.

Learn more about how Gallup Daily tracking works.

RELEASE DATE: November 10, 2014

SOURCE: Gallup http://www.gallup.com/poll/179288/new-era-communication-americans.aspx

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Responsible Updates to the Telephone Consumer Protection Act Key to Borrower Success

It has been often reported that outstanding student loan debt now exceeds $1 trillion dollars. The Consumer Financial Protection Bureau reports there are 37 million student loan borrowers and $100 billion in past due accounts. Fair Isaac states that average borrower debt now exceeds $27,000 and has increased 58% in the past seven years. The U.S. Department of Education's most recent three-year cohort default rate is 14.7 percent and rising. Clearly, Americans are in need of assistance in managing their student loan debt.

Unfortunately, outdated rules implementing the Telephone Consumer Protection Act (TCPA) are making it increasingly difficult to reach borrowers on their cellular telephones. The President's FY 2014 budget includes a proposal to modify the TCPA to allow the Federal government and its agents to use automatic dialing systems when contacting wireless phones in the collection of debt owed to or guaranteed by the United States. The proposal also directs the Federal Communications Commission to implement rules to protect consumers from being harassed and contacted unreasonably. NCHER supports the President's proposal, as do the U.S. Departments of Education and Treasury.

A new report prepared by an independent and well-respected economist and expert in federal budgeting demonstrates how the combination of increasing cell-phone-only (aka wireless) households, growing student loan indebtedness and outdated TCPA rules are creating the perfect storm to harm delinquent and defaulted student loan borrowers.

Following are just a few of the important highlights of the report.

- Nearly 20 million borrowers will fail to receive critically needed services over the next decade if the Department of Education, guaranty agencies, loan servicers, and their contractors are unable to use available technology to communicate with borrowers.[1]
- Based on industry experience, ***the use of predictive dialing technology increases contact success rates by 151 percent***. The Department of Education states that if their servicers and collectors can talk to a borrower, they can almost always resolve the delinquency or default using the tools Congress provides to help student loan borrowers.
- The use of borrower-friendly income-based repayment programs would increase significantly if technology can be used to reach more borrowers.
- Nearly 59 percent of delinquent student loan borrowers are 39 years of age or younger. An estimated 76 percent of these individuals have cell phones and more than 50% rely solely on their wireless devises.

[1] While the TCPA contains an exemption in cases where a wireless user provides prior express consent, the scope of this exemption has been challenged. The report assumes that a majority of borrowers will not provide consent. Even discounting the report's conclusions based on the assumption that half of all borrowers will provide consent, the benefits of a modification to the TCPA are still dramatic.

- Assuming the current rate of growth for cell phone usage, over the next ten years nearly 12 million student loan borrowers will avoid the painful consequences of default if their loan services are able to contact them using predictive dialing technology.
- Modification of the TCPA will help remove nearly 7.9 million borrowers from default status over the next ten years.[2]
- Under the reasonable assumption that the percentage of borrowers relying on cell phones for communication will continue to increase, an additional 1.7 million borrowers will languish in default if the TCPA is ***not*** changed. This represents the opportunity cost of inaction.

NCHER urges Congress to come to the aid of distressed student loan borrowers through modification to the TCPA that would permit the use of predictive dialer technology to contact borrowers on their cellular telephones. The unnecessary and significant costs of inaction are too high – for borrowers and taxpayers alike.

[2] As noted, modification of the TCPA will reduce the number of defaults. While the report does not factor in this effect, the number of additional borrowers assisted will still be sizable.

Help Borrowers Protect Their Credit and Recoup Debts Owed to Taxpayers

Provide authority to contact student loan borrowers via their cell phones

The Telephone Consumer Protection Act (TCPA) is being interpreted as prohibiting creditors and their servicers and collectors from using any automatic telephone dialing system, including predictive dialers, or prerecorded messages to contact borrowers on their cellular phones.

- No similar prohibition restricts informational, non-telemarketing calls to borrowers on land-line telephones or by manually-dialed calls to cellular phones.

- Current law has not kept pace with the needs of a new and growing class of borrowers, who are increasingly moving away from traditional land-line telephones in favor of cellular telephones. According to a recent Center for Disease Control (CDC) study, 57.1% of all American households now are either exclusively or predominantly wireless.

- Servicers should be able to reach out to federal student loan borrowers to provide information about the various loan features available to assist them under federal law and to provide early delinquency contacts designed to assure the understanding of their loan obligations and of repayment plans and other means to avoid default.

- If servicers can talk to these borrowers they almost always can find a solution to avoid default. The challenge is to reach borrowers and the TCPA's auto-dialer restriction is an unnecessary barrier.

- Default collection contact attempts are also designed to educate the defaulted student loan borrower on the unique federal array of payment restructuring and/or loan discharge options that can save them considerable money and even result in the removal of the default record from their credit bureau reports[1].

- The TCPA's prior express consent exception is not helpful for borrowers who are delinquent or have defaulted on their student loans and need to communicate with their servicers to understand and take advantage of the many tools available to provide relief.

- The President's FY15 Budget includes a proposal to clarify that the use of automatic dialing systems and prerecorded voice messages is allowed when contacting wireless phones in the collection of debt owed to or granted by the United States. In this time of fiscal constraint, the Administration believes that the Federal Government should ensure that all debt owed to the United States is collected as quickly and efficiently as possible and this provision could result in the collection of millions of defaulted debt. While protections against abuse and harassment are appropriate, changing technology should not absolve these citizens from paying back the debt they owe their fellow citizens. The proposal would also allow the Federal Communications Commission to implement rules to protect consumers from being harassed and contacted unreasonably. **OMB estimates that this will result in PAYGO savings of $120 million over 10 years. The actual amount could be significantly higher.**

The National Council of Higher Education Resources (NCHER) strongly supports this provision of the President's Budget proposal and urges the passage of appropriate implementing legislation.

- **Creditors and their servicing and collection partners should be permitted to use predictive dialers and prerecorded messages when attempting to contact student loan borrowers.**
- **The FCC should be directed to allow use of these new technologies to contact borrowers.**
- **It is possible to include protections for borrowers as part of any measure allowing the use of 21st Century technologies.**

[1] For example, the defaulted borrower may qualify for a rehabilitation program, or for discharge of the debt under various federal program provisions. The information sought to be provided to the student loan borrower, and often mandated under the federal program, serves to educate and provide helpful options and assistance and differs greatly from the "unwanted" calls commonly associated with the telemarketing activity regulated under the TCPA.

State, and local prisoner data. Recent legislation has expanded the information the prisons are required to report to SSA to include release dates, making the system more valuable to users. The PUPS data will help prevent prisoners from illegally receiving unemployment compensation.

Improve Treasury Debt Collection.—The Budget includes four proposals that would increase collections of delinquent debt:

- ***Increase levy authority for payments to Medicare providers with delinquent tax debt.—***The Budget proposes a change to the Department of the Treasury's debt collection procedures that will increase the amount of delinquent taxes collected from Medicare providers. Through the Federal Payment Levy Program, Treasury deducts (levies) a portion of a Government payment to an individual or business in order to collect unpaid taxes. Pursuant to the Medicare Improvements for Patients and Providers Act of 2008, Medicare provider and supplier payments are included in the Federal Payment Levy Program, whereby Treasury is authorized to continuously levy up to 15 percent of a payment to a Medicare provider in order to collect delinquent tax debt. The Budget proposal will allow Treasury to levy up to 100 percent of a payment to a Medicare provider to collect unpaid taxes. This proposal would result in PAYGO savings of $743 million over ten years.
- ***Provide authority to contact delinquent debtors via their cell phones.—***The Budget proposes to clarify that the use of automatic dialing systems and prerecorded voice messages is allowed when contacting wireless phones in the collection of debt owed to or granted by the United States. In this time of fiscal constraint, the Administration believes that the Federal Government should ensure that all debt owed to the United States is collected as quickly and efficiently as possible and this provision could result in millions of defaulted debt being collected. While protections against abuse and harassment are appropriate, changing technology should not absolve these citizens from paying back the debt they owe their fellow citizens. The proposal would also allow the Federal Communications Commission to implement rules to protect consumers from being harassed and contacted unreasonably. This proposal would result in PAYGO savings of $120 million over 10 years.
- ***Authorize Treasury to locate and recover assets of the United States and to retain a portion of amounts collected to pay for the cost of recovery.—***States and other entities hold assets in the name of the United States or in the name of departments, agencies and other subdivisions of the Federal Government. Many agencies are not recovering these assets due to lack of expertise and funding. Under current authority, Treasury collects delinquent debts owed to the United States and retains a portion of collections, which is the sole source of funding for its debt collection operations. While unclaimed Federal assets are generally not considered to be delinquent debts, Treasury's debt collection operations personnel have the skills and training to recover these assets. The Budget proposes to authorize Treasury to use its resources to recover assets of the United States. This proposal would result in PAYGO savings of $30 million over 10 years.
- ***Increase delinquent Federal non-tax debt collections. Authorize administrative bank garnishment for non-tax debts of commercial entities.—***Allow Federal agencies to collect non-tax debt by garnishing the bank and other financial institution accounts of delinquent commercial debtors without a court order and after providing full administrative due process. The Budget proposes to direct the Secretary of the Treasury to issue government-wide regulations implementing the authority of bank garnishment for non-tax debts of commercial entities. Bank garnishment orders under this authority would be subject to Treasury's rule (31 CFR 212) protecting exempt benefit payments from garnishment. To reach income of commercial entities and other non-wage income and funds available to commercial debtors owing delinquent non-tax obligations to the United States, this proposal would authorize agencies to issue garnishment orders to financial institutions without a court order. Agencies would be required to provide debtors with appropriate administrative due process and other protections to ensure that debtors have had the full opportunity to contest the debts and/or enter into repayment agreements to avoid issuance of an order. The Internal Revenue Service currently has similar authority to collect Federal tax debts. The Debt Collection Improvement Act of 1996 (DCIA) authorized Federal agencies to collect delinquent non-tax debt by garnishing the wages of debtors without the need to first obtain a court order. Since July 2001, the U.S. Department of the Treasury's Bureau of the Fiscal Service has collected $131.6 million in garnished wages (as of April 30, 2013) on behalf of Federal agencies. This proposal would result in estimated savings of $320 million over 10 years in commercial debts.

Improve Collection of Pension Information from States and Localities.—The Budget re-proposes legislation that would improve reporting for non-covered pensions by including up to $70 million for administrative expenses, $50 million of which would be available to the States, to develop a mechanism so that the Social Security Administration could enforce the offsets for non-covered employment, Windfall Elimination Provision (WEP), and Government Pension Offset (GPO). The proposal would require State and local governments to provide information on their noncovered pension payments to SSA so that the agency can apply the WEP and GPO adjustments. Under current law, the WEP and GPO adjustments are